



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 12/15/2006

GAIN Report Number: AR6043

Argentina

Fresh Deciduous Fruit

Annual

2007

Approved by:

Robert K. Hoff
U.S. Embassy

Prepared by:

Francisco Pirovano

Report Highlights:

The Argentine fresh deciduous fruit crop for Calendar Year (CY) 2007 is forecast to increase to 1.78 million metric tons (MT). Total exports are forecast to increase to 680,000 MT as better quality fruit is expected for CY 2007. Domestic consumption is expected to increase to 250,000 MT. Imports will continue at a negligible level.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Buenos Aires [AR1]
[AR]

Table of Contents

Section I. Situation and Outlook.....3
Production3
Domestic Consumption4
Trade.....4
Import and Export Regulations5
Factors Affecting Industry Structure6
Section II. Statistical Tables9

Section I. Situation and Outlook

Production

Overall, the pear and apple crop in calendar year (CY) 2007 is forecast at 1.780 million metric tones (MT), slightly above CY 2006 production due to favorable weather conditions in the Southern Valley (i.e., Neuquen and Rio Negro Provinces) during Spring 2006, and despite many plantations have recently been pulled out. Fresh deciduous fruit production for CY 2006 is estimated at 1.75 million metric tons (MT), a five-percent decrease compared with the CY 2005 harvest.

So far, no important unfavorable climatic event has occurred in the Southern Valley. However, as usual, the province of Mendoza has received some hail damage in some of its production areas. The harvest of the Bartlett variety is expected to start on January 5 in Mendoza province and on January 10 in the Southern Valley. The apple harvest is programmed to start with the Gala variety on January 30 and finish on February 15. The traditional Red Delicious harvest starts at the end of February and lasts until the end of March when the harvest of the Granny Smith variety begins.

The CY 2007 apple crop is estimated to increase four percent due to favorable weather conditions in the Southern Valley and new plantations entering production. The best prospect in the CY 2007 crop is the Gala variety, which according to industry sources is expected to have high yields, with excellent quality. This variety covers 16 percent of the planted area to apples in the Southern Valley. Red Delicious and Granny Smith varieties are in good shape with expected yields similar to those of CY 2006.

Post forecasts a slight drop in the pear crop in CY 2007. In the southern valley, the Bartlett variety is expected to yield about 5 percent less, while the Packham variety is forecast to increase 10 percent with respect to CY 2006 crop. The rest of the varieties are forecast to remain at levels similar to those of CY 2006.

Table 1. Fresh Deciduous Fruits Total Production						
	CY 2005		CY 2006		CY 2007	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	8,200	190,000	9,100	220,000	9,100	200,000
Southern Valley	59,500	1,650,000	51,000	1,530,000	51,000	1,580,000
Total	67,700	1,840,000	60,100	1,750,000	60,100	1,780,000

Table 2. Apple Production						
	CY 2005		CY 2006		CY 2007	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	4,600	100,000	4,500	110,000	4,500	100,000
Southern Valley	46,000	1,100,000	30,000	930,000	30,000	980,000
Total	50,600	1,200,000	34,500	1,040,000	34,500	1,080,000

	CY 2005		CY 2006		CY 2007	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	3,600	90,000	4,600	110,000	4,600	100,000
Southern Valley	13,500	600,000	21,000	600,000	21,000	600,000
Total	17,100	690,000	25,600	710,000	25,600	700,000

Concentrated Apple Juice (CAJ) production in CY 2007 is expected to remain at level similar to those in CY 2006.

Domestic Consumption

Domestic consumption of apples in CY 2007 is expected to increase to 250,000 MT as a result of an increased demand from the Buenos Aires metropolitan area. Pear domestic consumption is estimated to remain at 100,000 MT in CY 2007.

Trade

Post forecasts overall fresh deciduous fruit exports to increase to 680,000 MT due to better quality fruit, especially in the varieties highly demanded by the export sector.

Fresh deciduous fruit exports from January through October 2006 were 610,000 MT, 12 percent less than in the same period in 2005 due to increased discretion on the part of exporters in choosing foreign buyers and exports of higher quality fruit this season. After reaching a record high of 714,000 MT (US\$334 million) in CY 2005, total fresh deciduous fruit exports declined in CY 2006 in volume but not so in value.

The main destination of Argentine fresh pears and apples in CY 2006 was the European Union (EU). The EU Accounted for 40 percent of the exports with a total volume of 241,000 MT and valued at US\$125 million. Brazil follows with 142,000 MT valued at US\$ 77 million. In CY 2006, the Russian Federation purchased 130,000 MT valued at US\$58 million. Exports of pears and apples to the United States in CY 2006 were 46,000 Mt valued at US\$25 million. Exports of pears and apples and CAJ to the United States accounted for US\$72 million in CY 2005.

Post forecasts apple exports to increase for CY 2007 at 250,000 MT, a 20 percent increase from CY 2006 as a result of the better quality observed in the fruit still on the trees, and the greater production of Gala variety which is highly demanded in the principal export markets such as the EU. Total apple exports for CY 2006 are estimated at 230,000 MT valued at US\$112 million. The EU purchased 100,000 MT valued at US\$52 million followed by Brazil with 50,000 MT valued at US\$ 26 million and the Russian Federation with 51,000 MT valued at US\$23 million. In CY 2006 apple exports to the United States accounted for 1,600 MT valued at US\$887,000. This includes 148 MT (US\$103,000) sent to Puerto Rico for the first time.

In CY 2005, apple exports, valued at US\$125 million, reached 274,000 MT. The main market for Argentine apples continued to be the EU, accounting for over 49 percent of the total volume exported in CY 2005 (134,000 MT valued at US\$65 million). The Russian Federation and Brazil follow with 25 percent (68,000 MT valued at US\$29 million) and 19 percent (53,000 MT valued at US\$ 23 million), respectively. The three aforementioned markets received more than 90 percent of Argentine exports. Apple exports to the United States during CY 2005 reached 1,300 MT valued at US\$700,000. In CY 2004 total apple exports reached 206,000 MT valued at US\$91 million.

Table 5. Concentrated Apple Juice (2009.79)	
Outside the Mercosur Area	
Import Tariff (%)	14.00
Statistical Tax (%)	0.50
Export tax (%)	5.00
Rebate (%) Containers larger than 1 liter	5.00
Containers of 1 liter or less	6.00
Within the Mercosur Area	
Import tariff (%)	0.00
Export tax (%)	5.00
Rebate (%) Containers larger than 1 liter	5.00
Containers of 1 liter or less	6.00

Factors Affecting Industry Structure

Subsidies

The Argentine Secretariat of Agriculture authorized the payment of US\$3.7 million to 2300 farmers for the acquisition of pesticides to combat codling moth (*Cydia Pomonella* - an endemic pest in the southern valley). In August, growers had already received US\$2.8 million for pruning and other agricultural practices. These funds correspond to the Program for the Control and Eradication of codling moth developed by the National Plant Health Authority, SENASA.

Production Cost

According to a study issued by the Secretariat of Fruit Production of Rio Negro Province together with the National Agricultural Research Institute (INTA) and the College of Agriculture, the production costs of apples and pears will increase between 15 and 30 percent in CY 2007. The aforementioned study estimates that during 2006, products cost for apples increased 12 percent and 13 percent for pears. Additionally, packing costs including cold storage increased 18 percent. Also, the analysts forecast a packinghouse labor cost increase that would result to a total packing cost increase of 14 percent for CY 2007.

Increased Shipping Cost

Sources from the industry state that for CY 2007 shipping costs will increase from US\$210/250 to US\$310/320 per pallet increasing the shipping cost of a case US\$1-1.50. The same source informed that for that reason, more apples and pears would be shipped in containers in CY 2007.

The Brazilian Market

Brazil has been an excellent market in CY 2006. Currently, a case of Argentine pears in the Sao Paulo wholesale market is sold at US\$35 and the retail market pays US\$3 a kilo. The same trend occurs with apples, where a case costs over US\$20 and the retail pays US\$2.5 per kilo. Sources in the industry state that when it comes to high quality fruit these prices seem to be very stable allowing the exporters to have revenues of US\$0.5 and US\$0.7 per kilo of apples and pears respectively.

Domestic Prices Controls

In addition to the already established 10 percent export tax, and the goal of restraining inflation that has run at a rate of 12 percent per year in the last four years, the Argentine Government (GOA) has implemented a price control policy on all food goods that according to the GOA will remain in place until December 2007. In the case of pears and apples, as in the case of all fruits and vegetables, the GOA has imposed domestic reference prices, which represent ceiling prices.

Reference Prices (US\$) As of November 2006		
	Wholesale	Retail
Apples (Green varieties)	0.52	0.68
Apples (Red varieties)	0.45	0.65
Pears	0.45	0.75

As can be seen in the retail domestic prices table below, apple prices have surpassed the reference price established by the GOA. While the supermarkets in the Buenos Aires metropolitan area demand commercial quality apples (a quality compared to export quality) in order for them to be able to comply with the US\$0.65 reference price, packinghouses cannot supply them with that kind of fruit. Sources in the industry state that only top quality fruit is currently in the cold chambers, and this quality fruit cannot be sold at a lower price. Just a few days ago, packinghouses purchased apples from independent farmers at a price between US\$0.35 and US\$0.45. Now, they realize that the volume demanded by the retail sector for this top quality fruit may be lower than expected, which could result in big losses for this industry.

Prices

Apples and Pears, Fresh Domestic Wholesale Prices for all Varieties (US\$/kg.)								
	2003		2004		2005		2006	
	Pear	Apple	Pear	Apple	Pear	Apple	Pear	Apple
January	0.29	0.48	0.40	0.48	0.39	0.46	0.43	0.57
February	0.25	0.43	0.31	0.41	0.57	0.69	0.32	0.50
March	0.24	0.31	0.32	0.37	0.30	0.36	0.29	0.34
April	0.27	0.30	0.39	0.36	0.32	0.33	0.28	0.33
May	0.26	0.29	0.37	0.33	0.35	0.36	0.30	0.41
June	0.25	0.31	0.33	0.33	0.42	0.41	0.37	0.44
July	0.27	0.30	0.32	0.38	0.46	0.42	0.41	0.50
August	0.29	0.30	0.37	0.40	0.49	0.41	0.49	0.49
September	0.36	0.32	0.39	0.43	0.50	0.44	N/A	N/A
October	0.41	0.48	0.41	0.45	0.53	0.41	N/A	N/A
November	0.43	0.43	0.47	0.50	0.47	0.50	N/A	N/A
December	0.68	0.49	0.52	0.50	0.58	0.48	N/A	N/A
Annual average	0.33	0.37	0.38	0.41	0.45	0.44		

Source: Buenos Aires Central Market (www.mercadocentral.com.ar)

Apples, Fresh, Red Delicious Variety Domestic Retail Prices (US\$/Kg.)				
	2003	2004	2005	2006
January	0.78	0.85	0.84	1.12
February	0.68	0.82	0.77	0.88
March	0.59	0.69	0.68	0.74
April	0.60	0.67	0.64	0.71
May	0.57	0.65	0.65	0.70
June	0.58	0.66	0.66	0.73
July	0.57	0.66	0.68	0.75
August	0.57	0.67	0.68	0.77
September	0.62	0.70	0.71	0.84
October	0.70	0.76	0.70	0.92
November	0.73	0.77	0.78	1.04
December	0.77	0.80	0.82	N/A
Annual Average	0.65	0.72	0.72	

Source: The National Institute for Statistics (INDEC – www.indec.gov.ar)

Section II. Statistical Tables

PSD Table										
Country	Argentina									
Commodity	Apples, Fresh						(HA)(1000 TREES)(MT)			
	2004 Revised			2005 Estimate			2006 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Area Planted	51	51	51	35	35	35	0	0	35	(HA)
Area Harvested	50	50	50	30	30	30	0	0	30	(HA)
Bearing Trees	21000	21000	21000	21000	21000	21000	0	0	21000	(1000 TREES)
Non-Bearing Trees	4000	4000	4000	3000	3000	3000	0	0	3000	(1000 TREES)
Total Trees	25000	25000	25000	24000	24000	24000	0	0	24000	(1000 TREES)
Commercial Production	1200000	1200000	1200000	1040000	1040000	1040000	0	0	1080000	(MT)
Non-Comm. Production	0	0	0	0	0	0	0	0	0	(MT)
Production	1200000	1200000	1200000	1040000	1040000	1040000	0	0	1080000	(MT)
Imports	50	50	50	100	100	100	0	0	150	(MT)
Total Supply	1200050	1200050	1200050	1040100	1040100	1040100	0	0	1080150	(MT)
Fresh Dom. Consumption	250050	250050	246050	170100	170100	200100	0	0	200150	(MT)
Exports, Fresh	270000	270000	274000	170000	170000	230000	0	0	250000	(MT)
For Processing	680000	680000	680000	700000	700000	610000	0	0	630000	(MT)
Withdrawal From Market	0	0	0	0	0	0	0	0	0	(MT)
Total Distribution	1200050	1200050	1200050	1040100	1040100	1040100	0	0	1080150	(MT)

Prices Table			
Country	Argentina		
Commodity	Apples, Fresh		
Prices in	US\$ FOB	per uom	MT
Year	2005	2006	% Change
Jan	490	560	14%
Feb	510	520	2%
Mar	460	460	0%
Apr	450	480	7%
May	450	500	11%
Jun	430	490	14%
Jul	400	450	13%
Aug	380	470	24%
Sep	400	490	23%
Oct	430	520	21%
Nov	460		-100%
Dec	490		-100%
Exchange Rate	3.08	Local Currency/US \$	
Date of Quote	12/14/2006	MM/DD/YYYY	

PSD Table										
Country	Argentina									
Commodity	Apple Juice, Concentrated						(MT)			
	2004 Revised			2005 Estimate			2006 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Deliv. To Processors	680000	680000	680000	700000	700000	700000	0	0	630000	(MT)
Beginning Stocks	17433	17433	17433	13933	13933	13933	11433	11433	11433	(MT)
Production	65000	65000	65000	66000	66000	66000	0	0	67000	(MT)
Imports	500	500	500	500	500	500	0	0	500	(MT)
Total Supply	82933	82933	82933	80433	80433	80433	11433	11433	78933	(MT)
Exports	65000	65000	65000	66000	66000	66000	0	0	67000	(MT)
Domestic Consumption	4000	4000	4000	3000	3000	3000	0	0	3000	(MT)
Ending Stocks	13933	13933	13933	11433	11433	11433	0	0	8933	(MT)
Total Distribution	82933	82933	82933	80433	80433	80433	0	0	78933	(MT)

Prices Table			
Country	Argentina		
Commodity	Apple Juice, Concentrated		
Prices in	US\$ FOB	per uom	MT
Year	2005	2006	% Change
Jan		1100	710 -35%
Feb		830	740 -11%
Mar		950	790 -17%
Apr		430	860 100%
May		720	860 19%
Jun		700	920 31%
Jul		740	900 22%
Aug		700	940 34%
Sep		680	930 37%
Oct		690	360 -48%
Nov		710	-100%
Dec		730	-100%
Exchange Rate	3.08 Local Currency/US \$		
Date of Quote	12/14/2006 MM/DD/YYYY		

PSD Table										
Country	Argentina									
Commodity	Pears, Fresh						(HA)(1000 TREES)(MT)			
	2004 Revised			2005 Estimate			2006 Forecast UOM			
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Area Planted	17	17	17	26	26	26	0	0	26	(HA)
Area Harvested	17	17	17	22	22	22	0	0	22	(HA)
Bearing Trees	9100	9100	9100	22000	22000	22000	0	0	22000	(1000 TREES)
Non-Bearing Trees	1000	1000	1000	4000	4000	4000	0	0	4000	(1000 TREES)
Total Trees	10100	10100	10100	26000	26000	26000	0	0	26000	(1000 TREES)
Commercial Production	640000	640000	690000	710000	710000	710000	0	0	700000	(MT)
Non-Comm. Production	0	0	0	0	0	0	0	0	0	(MT)
Production	640000	640000	690000	710000	710000	710000	0	0	700000	(MT)
Imports	0	0	0	70	70	70	0	0	50	(MT)
Total Supply	640000	640000	690000	710070	710070	710070	0	0	700050	(MT)
Fresh Dom. Consumption	90000	90000	90000	100070	100070	110070	0	0	100050	(MT)
Exports, Fresh	430000	430000	430000	430000	430000	400000	0	0	430000	(MT)
For Processing	120000	120000	170000	180000	180000	200000	0	0	170000	(MT)
Withdrawal From Market	0	0	0	0	0	0	0	0	0	(MT)
Total Distribution	640000	640000	690000	710070	710070	710070	0	0	700050	(MT)

Prices Table			
Country	Argentina		
Commodity	Pears, Fresh		
Prices in	US\$ FOB	per uom	MT
Year	2005	2006	% Change
Jan	490	510	4%
Feb	500	500	0%
Mar	400	500	25%
Apr	490	520	6%
May	480	540	13%
Jun	490	570	16%
Jul	560	620	11%
Aug	520	610	17%
Sep	530	670	26%
Oct	590	720	22%
Nov	590		-100%
Dec	620		-100%
Exchange Rate	3.08	Local Currency/US \$	
Date of Quote	12/14/2006	MM/DD/YYYY	